

Approved For Release 2006/09/25 : CIA-RDP74B00415R000300210013-8



Office of Legislative Counsel
Washington, D. C. 20505
Telephone: 351-6121 (Code 143-6121)
21 July 1972

TO: Colonel John Miller
AF/LGPLA
4C 270 Pentagon

Per our conversation, attached are the pertinent papers having to do with Scoop Jackson's referral of the Lao Air Development letter. Our suggested reply is based on an unclassified cable from USAID Vientiane.


Deputy Legislative Counsel

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United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, D.C. 20510

June 26, 1972

Legislative Liaison
Department of Defense
Washington, D. C.

Dear Sir:

The enclosed is respectfully submitted to you
for every proper consideration.

Please provide me with a report in duplicate,
and return the enclosure to me with your response.

Sincerely yours,


Henry M. Jackson, U.S.S.

HMJ:gtr
enc.

8756

012-0766



LAO AIR DEVELOPMENT

P.O. BOX 233

WATTAY AIRPORT

VIENTIANE, LAOS

12 June 1972

SENATOR HENRY M. JACKSON

The Honorable Senator Henry M. Jackson
Old Senator Office Bldg.
Washington, D. C.

POD

Dear Senator Jackson,

I'm presently in Laos working for Lao Air Development. LAO is a helicopter, fixed wing contract company which has been in existence for about 16 months and is in direct competition with Air America and Continental. At this point I can honestly state that in many areas especially Air Support the U.S. tax payer is having his money thrown away. An example Air America charges upwards of \$385.00 per flight hour for 10 place light twin aircraft. Our company has proposed operating a similar type of aircraft at \$250.00 per flight hour, the problem is that most Government Agencies out here continue to exclude our proposal due to the Governmental status of Air America.

We have for the past 12 months been flying Bell Jet Ranger Helicopters for USAID with a record of flight reliability unequalled in our business.

~~Recently I was contacted by Jack Anderson~~ the newspaper columnist, who is a good friend of my uncle, concerning the pricing and agreements between various agencies in Laos. Presently I don't believe I will forward any information to him as I believe that action in Washington will soon relieve the touchy situation with regards to open bidding in this particular area. I am also writing a letter to Senator Magnuson in regards to this situation since he has a great deal to do with appropriations.

Honestly if open bidding was to take place in this area the Government would save millions of tax payer dollars. The prices Air America has been charging is outrageous and a disgrace to our political system. One can say that we are also seeking a profit though we certainly are not making \$250 per flight hour as is Air America and Continental; sometimes the net per hour is even higher. Something should be done for the sake of cosmetics, if for no other reason.

Sincerely,

Craig Jarrell
Craig Jarrell

7D43

cc to SCS for action - 3 July

cc to SCS 5 July



D. Craig Jarrell
Director of Flight Training

LAO AIR DEVELOPMENT
P.O. BOX 233
WATTAY AIRPORT

VIENTIANE, LAOS

10 July 1972

MEMO FOR THE RECORD

SUBJECT: Laos Flying Hour Rates - GFY-1972

The following flying hour rates are quoted for the major AAM/USAID flying contracts in Laos and represent the rates that were in effect during GFY-1972. All rates are dry with the exception of those for the C-46.

TYPE AIRCRAFT	CONTRACT 439-342		CONTRACT 439-713	
	Maximum Rate (1)	Minimum Rate (2)	Maximum Rate	Minimum Rate
<u>I Transport</u>				
C-123K	\$150.00	\$126.00	---	---
C7A, DHC-4	158.00	122.00	---	---
C-46 (wet)	295.00	295.00	---	---
<u>II Utility Twin</u>				
DHC-6 (Twin Otter)	259.00	167.00	\$259.00	\$167.00
Volpar Turbo Beech	256.00	117.00	201.00	170.00
<u>III Single Engine</u>				
PC-6C - Porter	162.00	124.00	138.00	116.00
H-395 - Helio	145.00	113.00	---	---
<u>IV Helicopters</u>				
UH-34D	---	---		
S-58T	261.00	203.00	261.00	203.00
Bell 204	273.00	225.00	273.00	225.00
Bell 205				
Hughes 500	---	---	180.00	136.00

As can be seen, there are no rates on the above schedules that even come close to the "\$385.00 per flight hour for 10 place light twin aircraft" cited in Mr. Jarrell's letter of 12 June 1972. In fact, the only aircraft we offer in the light twin category are the Volpar Turbo Beech (9 pax capacity) in the \$117 to 259 per flight hour range and the DHC-6 Twin Otter (20 pax capacity) in the \$167.00 to \$259.00 per flight hour range.

(1) Maximum rate is based on the minimum number of flying hours guaranteed to AAM under this contract

(2) Minimum rate is a de-escalated rate based on the maximum number of flying hours AAM may be called on to provide under this contract

STATINTL

Only proposal received USAID from LAD for 10 place light twin engine aircraft was letter dated 13 June 1972 (one day after Jarrell letter to Senator Jackson) offering Cessna 402 at \$225 wet wing per flight hour based on 100 hour monthly usage. USAID need for administrative aircraft fully met by Volpar which apparently the Air America 10 place light twin aircraft mentioned in Jarrell's letter.

We fail understand figure of \$385 per flight hour cited by Jarrell as Air America charge for this aircraft. Under contract AID 439-342, which expired 30 June, USAID paid Air America monthly price of \$18,000 for 65 flying hours (\$277 per flight hour) with contractor furnishing pol, and \$137 for every wet wing flight hour over 65 in any given month. Had we needed Volpar for 100 hours per month, Air America hourly price would have been \$228. In fact, since USAID barely reached 65 hour minimum guarantee, LAD's 100 hour monthly requirement was beyond USAID needs. Were LAD to propose 65 hour monthly usage minimum, their price for such contract would have to have been increased to equal, but possible exceed that of Air America.

At point of receipt LAD's Cessna proposition, USAID was obviously cognizant impending air contract consolidation wherein USAID Volpar use would become unit in fleet of four with probable reduction in flying hour rate.

While final contract 0002 prices await October negotiations, we note that contractor has agreed to dry wing hourly interim billing rate for Volpar of \$202 up to 90 hour monthly minimum per aircraft and \$111 for over-minimum hours.



Department of State

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ACTION AID-59

INFO OCT-01 EA-04 IGA-02 H-01 E-03 L-03 INR-1 T-03 7082
***** 06103

P 131126Z JUL 72

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 9236

UNCLAS VIENTIANE 5286

AIDAC

SUBJECT: CONGRESSIONAL CORRESPONDENCE - AIR SUPPORT

REF: STATE 123810

1. RE PARA 2 REFTEL FOLLOWING FACTS MAY BE HELPFUL IN PREPARING OR FOLLOWING UP ON RESPONSE TO SENATOR JACKSON.

2. ONLY PROPOSAL RECEIVED USAID FROM LAD FOR 10 PLACE LIGHT TWIN ENGINE AIRCRAFT WAS LETTER DATED 13 JUN 1972 (ONE DAY AFTER JARRELL LETTER TO SENATOR JACKSON) OFFERING CESSNA 402 AT \$225 WET WING PER FLIGHT HOUR BASED ON 100 HOUR MONTHLY USAGE. USAID NEED FOR ADMINISTRATIVE AIRCRAFT FULLY MET BY VOLPAR WHICH APPARENTLY THE AIR AMERICA 10 PLACE LIGHT TWIN AIRCRAFT MENTIONED IN JARRELL'S LETTER.

3. WE FAIL UNDERSTAND FIGURE OF \$385 PER FLIGHT HOUR CITED BY JARRELL AS AIR AMERICA CHARGE FOR THIS AIRCRAFT. UNDER CONTRACT AID 439-342, WHICH EXPIRED 30 JUNE, USAID PAID AIR AMERICA MONTHLY PRICE OF \$18,000 FOR 65 FLYING HOURS (\$277 PER FLIGHT HOUR) WITH CONTRACTOR FURNISHING POL, AND \$137 FOR EVERY WET WING FLIGHT HOUR OVER 65 IN ANY GIVEN MONTH. HAD WE NEEDED VOLPAR FOR 100 HOURS PER MONTH, AIR AMERICA HOURLY PRICE WOULD HAVE BEEN \$228. IN FACT, SINCE USAID HARDLY REACHED 65 HOUR MINIMUM GUARANTEE, LAD'S 100 HOUR MONTHLY REQUIREMENT WAS BEYOND USAID NEEDS. WERE LAD TO PROPOSE 65 HOUR MONTHLY USAGE

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Department of State

TELEGRAM

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MINIMUM, THEIR PRICE FOR SUCH CONTRACT WOULD HAVE TO HAVE BEEN INCREASED TO EQUAL, BUT POSSIBLE EXCEED THAT OF AIR AMERICA.

4. AT POINT OF RECEIPT LAD'S CESSNA PROPOSITION, USAID WAS OBVIOUSLY COGNIZANT IMPENDING AIR CONTRACT CONSOLIDATION WHEREIN USAID VOLPAR USE WOULD BECOME UNIT IN FLEET OF FOUR WITH PROBABLE REDUCTION IN FLYING HOUR RATE.

5. WHILE FINAL CONTRACT 0002 PRICES AWAIT OCTOBER NEGOTIATIONS, WE NOTE THAT CONTRACTOR HAS AGREED TO DRY WING HOURLY INTERIM BILLING RATE FOR VOLPAR OF \$202 UP TO 90 HOUR MONTHLY MINIMUM PER AIRCRAFT AND \$111 FOR OVER-MINIMUM HOURS.

6. HOPE THESE FACTS WILL BE USEFUL.
STEARNS

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	COMMENT	FILE	RETURN
	CONCURRENCE	INFORMATION	SIGNATURE
Remarks:			
<div></div> <p>Answers on Senator Jackson letter.</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
<div></div>			7/14

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Senator Jackson

GLC

20 July 1972

Mr. D. Craig Jarrell
Director of Flight Training
LAO Air Development
P. O. Box 233
Wattay Airport
Vientiane, Laos

Dear Mr. Jarrell:

When I received your letter of 12 June 1972 regarding your company's proposals for operating aircraft in Laos and your concern that Air America is being given some type of preferential treatment, I looked into the matter closely.

I am advised that the only proposal which USAID received from your company for a 10 place light twin engine aircraft was contained in a letter written the day after you wrote to me offering a Cessna 402 at \$225 wet wing per flight hour based on 100 hour monthly usage. The 100 hour monthly requirement was beyond USAID's needs. It is my understanding that USAID's need for administrative aircraft were fully met by the use of Air America's Volpar aircraft which apparently is the plane mentioned in your letter.

Officials I have contacted are unable to understand the figure of \$385 per flight hour quoted in your letter as the Air America charge for this aircraft. Under contract AID 439-342, which expired on 30 June 1972, USAID paid Air America a monthly price of \$18,000 for 65 flying hours

(\$277 per flight hour) with the contractor furnishing pol, and \$137 for every wet wing flight hour over 65 in any given month. If the Volpar aircraft had been needed for 100 hours per month Air America's hourly price would have been \$229. In fact, USAID's requirements barely reached the 65 hour minimum guarantee. It is assumed that a proposal from Lao Air Development based on 65 hour monthly usage minimum would equal or exceed the Air America price.


I understand that air contract consolidation is contemplated and final contract prices are awaiting October negotiations. If there is anything further that you would like me to look into in that connection, please let me know.

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AGENCY FOR INTERNATIONAL DEVELOPMENT


July 18, 1972

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CIA
DDP/FE

Attached for your information are two versions of press guidance we've done recently on Lao Air Development's charge that Air America charges an excessive rate for a "10-place light twin aircraft." (See cable details in State 123810 and Vientiane 5286, both of which you have.)

The lengthier version of the guidance is the one I cleared with you on July 14; it was not used, since there were no questions asked about it at the noon press briefing. The shorter version was done for the July 17 noon briefing, at which there also were no questions about it.


R. Thompson
Office of Laos Affairs
A.I.D.

X / 61-29038

J. Gary
CIA

Jack
JLB

SUGGESTED GUIDANCE FOR PRESS BRIEFING JULY 14, 1972

(To be used only on "IF ASKED" basis)

1. Question: I've heard that the AID Mission in Laos contracts with Air America at \$380.00 per flight hour for a 10-place, twin engine airplane that another U.S. airline has offered to provide a similar version of for \$225.00 per flight hour. If this is true, why is the USG paying more than half again as much as it needs to for this plane?

Answer: USAID/Laos contracts with Air America for a number of aircraft, including one known as a "Volpar", which I believe is the one you are referring to. I don't know where the \$380 per flight hour figure comes from, because in FY 1972 USAID's contract cost was only \$277 per flight hour for a minimum 65 flying hours per month. The cost would have been \$137 for every flight hour over 65 in any given month. Thus, if USAID had needed the plane for, say, 100 flying hours per month, the cost would have averaged \$228 per flying hour. In fact, however, USAID barely reached the 65 hour minimum guarantee.

The other "U.S. airline" you refer to is Lao Air Development, 49% U.S. and 51% Lao owned, which contracts helicopters to USAID. This company on June 13, 1972 offered to USAID a plane similar to the Volpar for \$225 per flying hour based on a minimum 100 hours monthly usage, which as I have said is beyond USAID needs. If LAD were to propose a 65 hour monthly usage minimum, their price for such a contract would have to be increased to equal, and possibly exceed, that of Air America.

The USAID contract with Air America has recently been extended for several months while the U.S. Mission in Laos is in the process of

Page 2

SUGGESTED GUIDANCE FOR PRESS BRIEFING (7/14/72)

consolidating its air contracts, in which case the USAID Volpar will become one unit in a fleet of four with a possible reduction in the flying hour rate. Final negotiations are expected around October. Meanwhile, the contractor has agreed to an hourly interim rate for each of the ~~four~~^{UP} Volpars of \$202 for 90 hour monthly minimum and \$111 for over-minimum hours, which would average \$193 per monthly flying hour *For 100 hours*. Thus even if USAID continues to use only 65 flying hours per month, it will realize savings of about \$4,900 per month from what it was paying Air America, and will still pay \$1,500 per month less than LAD's proposed cost.

2. Question: Will other airlines be permitted to bid on the contracts you are preparing to consolidate and negotiate?

Answer: Yes. However, in making its selection the U.S. Mission must take into account, besides the prices offered, such factors as types and suitability of aircraft offered; the experience of personnel offered; and the ability of the bidder to perform the services offered. These factors, of course, are important in any air services contracting, and they are especially critical under the conditions in which air services must be provided in Laos.

Clearances:

CIA [] (phone)
DOD/ISA:CCook(phone)
SA/L:HALevin

25X1A

J. Gearing
CIA 0

SUGGESTED GUIDANCE FOR PRESS BRIEFING JULY 17, 1972

(To be used only on "IF ASKED" basis)

Question: I've heard that the AID Mission in Laos contracts with Air America @ \$380 per flight hour for a 10-place, twin engine "Volpar" airplane that another U.S. airline has offered to provide a comparable version of for \$225 per hour. I've also heard that the Mission has excluded from consideration the lower offer. Will you please comment on this?

Answer: With regard to the first part of your question, Laos Air Development, a 49% US- and 51% Lao-owned company providing helicopter services to USAID/Laos, has recently offered a Cessna 402 @ \$225 per hour for a minimum 100 flying hours per month. Air America's "Volpar", calculated at the same monthly rate, is \$228.

With regard to the second part, the LAD offer was just received on July 13 and I don't know that it has been excluded from consideration. I can say, however, that in considering proposals and bids for flying services, the Mission must take into account not only the price offered, but also such factors as types and suitability of aircraft offered, the experience of personnel offered (including management, pilots, and ground crews), and the ability of the bidder to perform the services offered. These factors, important in any air services contracting, are especially critical under the conditions in which air services must be provided in Laos.

Clear: CIA
DOD/SA:CCook
EA/LC:MP Pratt
SA/L:HA Levin

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ACTION/		DIRECT REPLY	PREPARE REPLY
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CONCURRENCE		INFORMATION	SIGNATURE
Remarks:			
<p>The attached letter was sent to us for our information by DOD. I have forwarded it to the DDS for action.</p> <p>2873 SD/PA 369 [Redacted] Deputy Legislative Counsel</p>			
FOLD HERE TO RETURN TO SENDER			
FROM: NAME, ADDRESS AND PHONE NO.			DATE
OLC 7D43 4151			5 July 72

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